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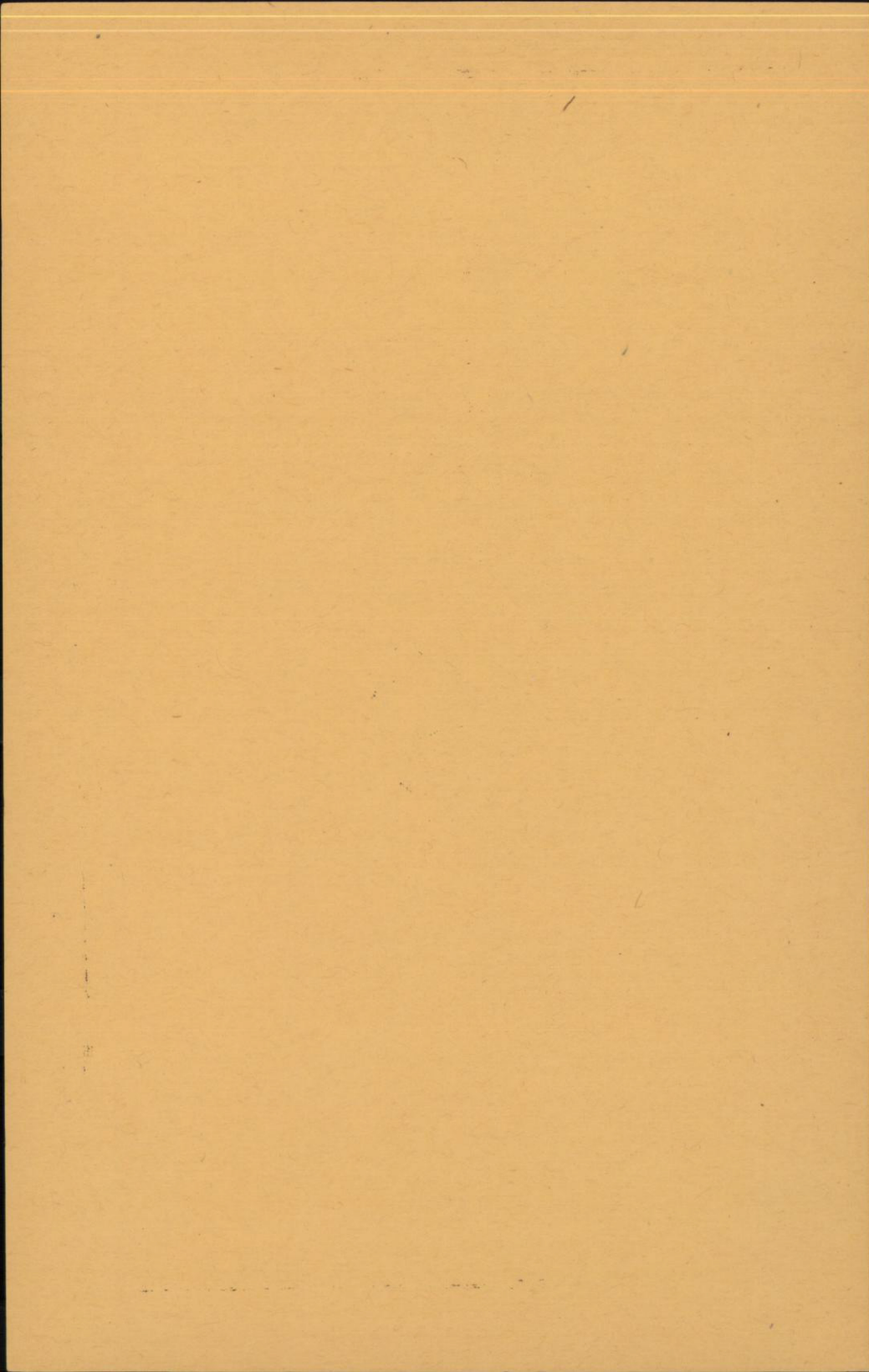
ANNUAL REPORT
of
THE CINCINNATI AND SUBURBAN
BELL TELEPHONE COMPANY

For the Year 1934



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The Cincinnati and Suburban Bell Telephone Company

DIRECTORS

Don M. Arnette	**Bayard L. Kilgour
Charles W. Dupuis	Bayard L. Kilgour, Jr.
Walter S. Gifford	George W. Lewis
*Ransom C. Hall	Charles J. Livingood
Benjamin T. McBurney	

OFFICERS

**B. L. KILGOUR, President	L. C. NOWLAND, Chief Engineer
B. T. McBURNEY, Vice-Pres. and Gen. Mgr.	T. C. REED, General Plant Manager
B. L. KILGOUR, JR. Vice-Pres. and Asst. Gen. Mgr.	H. J. BARBER, General Commercial Manager
D. M. ARNETTE, Secretary and Treasurer	O. A. FRANK, General Traffic Manager
J. J. BECKER, General Auditor	

*Deceased Aug. 31, 1934.

**Deceased Jan. 28, 1935.

THE HISTORY OF THE

REPUBLIC OF THE UNITED STATES

OF AMERICA

BY

JOHN F. BURNETT

OF THE UNIVERSITY OF CHICAGO

AND

OF THE

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THE HISTORY OF THE

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The Cincinnati and Suburban Bell Telephone Co.

Cincinnati, Ohio, February 4, 1935.

To the Shareholders:

The year 1934 was the first since 1929 that the Company has had a gain in telephones, and while the amount realized was somewhat less than anticipated at the beginning of the year, the result was gratifying, nevertheless. The 1934 gain of 1,034 stations compares with a loss of 9,453 for 1933 and 21,210 for 1932. The number of telephones in service at the end of the year was 158,796. The efforts of the regular sales organization in selling service continue to be admirably supplemented by those of the whole body of employees, employee sales showing an increase of 12% over the previous year. It is our feeling that the current improvement in industrial activity and business sentiment will continue, and we are looking forward to a net gain in telephones for 1935.

There was expended for construction the sum of \$1,322,862, the principal items being:

Station Equipment.....	\$870,695
Exchange Lines.....	281,974

Expenditures under the Benefit Plan were as follows:

Service Pensions (paid from Pension Trust Fund).....	\$ 46,492.38
Disability Pensions.....	1,906.08
Accident Disability Benefits....	2,606.35
Accident Disability Expenses...	2,823.67
Sickness Disability Benefits....	35,863.28
Death Benefits—Accidents.....	3,993.30
Sickness.....	28,324.57
Payments after death of Pensioners.....	674.48
	\$122,684.11

The Company continued to operate under the President's Reemployment Agreement as Modified for the Bell System Companies, as mentioned in last year's report, and to cooperate with the National Recovery Administration in its efforts towards national betterment.

During the year the General Assembly of Kentucky enacted a law creating a Public Service Commission, having jurisdiction over public utilities, including telephone companies. Our subsidiary company, the Citizens Telephone Company, Inc., which leases and operates that part of the Company's property located in Kentucky, is subject to its regulations.

In June, 1934, Congress enacted and the President approved an Act entitled "The Communications Act of 1934", creating a new Commission to be known as the "Federal Communications Commission". Broadly speaking, although some changes have been made in the regulatory provisions applicable to communication companies heretofore contained in the Act to Regulate Commerce, and the Radio Act, the effect of the new Act is to transfer to the Federal Communications Commission the jurisdiction and powers with respect to telephone (and other wire and radio) companies that in the past have been exercised by the Interstate Commerce Commission and the Radio Commission. As provided in the Federal Communications Act of 1934, the Federal Communications Commission has entered upon an investigation of the business of telephone carriers subject to the Act. The American Telephone and Telegraph Company and the Bell System Companies, including this Company, are cooperating with the Commission with a view to facilitating this investigation in every way, to the end that the Commission may be fully informed concerning the business of the Bell System and the manner in which it is conducted.

Transoceanic telephone service was extended during the year to Syria, Colombia, French Morocco, French Indo-China, Algeria, Tunisia and Japan.

The Company's plant has been maintained in accordance with the highest standards and is in excellent condition. Plant operations during the year indicated a gradual slowing down of the general decline in work loads which has occurred in each successive year of the depression. Station installation work was maintained at about the same level throughout the year and intermittently has shown a tendency to increase substantially, reflecting the improving economic situation. The moderate force surplus which developed as a result of the reduced work load and the higher operating efficiency was taken care of satisfactorily by the completion of a limited amount of special program work believed to be economically justified.

Continued progress was made in systematizing and improving plant operating methods. That effort in this direction has produced tangible results is shown by the fact that practically all indexes of plant performance have steadily advanced. For the seventh consecutive year the trouble results have been the best on record.

A noteworthy event of the year was the placing of seven submarine cables across the Licking River to replace cables previously routed over a bridge. This was the second major submarine cable construction job undertaken by the Plant Department in recent years, the first having been the placing of a large cable across the Ohio River in the vicinity of the East Central Office.

Local traffic fell off slightly during the year. The average originating calls per day were 877,880 as compared with 884,827 in 1933, or a decrease of .8 of 1%. It is of interest to compare this decrease with a drop of 5.84% in 1933, and a decrease of 8.88% in 1932. In 1934, 81.8% of all originating local calls were completed on the first attempt. This equals the figure attained the previous year. Service errors for the year affected 1% of the connections. This is the same figure as the preceding year. There was a very slight increase in oral service criticisms

attributable to the dial transfer in December, 1933, which necessitated a great many number changes in four different areas. Written criticisms decreased approximately 50%. Of the total criticisms 84% were from manual and 16% from dial subscribers. Dial service continues to be satisfactory and to meet with public approval. This was evidenced by the various measures which we used to test the service, together with a steady decrease in customers' faulty usage and continued falling off in subscribers' criticisms.

Every month of 1934 showed an increase in toll traffic as compared with 1933. The increase for the year was 9%, which compares with a loss of 5.5% in 1933 and 20.6% in 1932. This favorable trend is expected to continue throughout 1935.

The average speed of all long distance connections was 2.1 minutes as compared with 2.2 minutes in the preceding year. 84% of the calls were completed while the subscriber remained at the telephone, an increase of 4% over 1933. There was a slight increase in A. B. (suburban) toll traffic in 1934, a gratifying reversal in the trend, which has been downward for the past few years. Completion on this class of service improved noticeably.

It is with the deepest regret that we record the death, on January 28, 1935, of Bayard L. Kilgour. Mr. Kilgour had been connected with the Company since April, 1901, and served as its President since December 22, 1913. His broad vision, sound judgment and great executive ability made his administration an outstanding success. In his devotion to the Company's interests he gave of himself without stint, and fused into the corporate structure his deep sense of responsibility and great strength of character. In his death the members of the Board have lost a valued associate and leader, and the employees a loyal friend.

In August, 1934, the Company sustained a serious loss in the death of Ransom C. Hall, Secretary and Treasurer

and Director. Mr. Hall's thirty-nine years of service with the organization were marked by unflinching loyalty and untiring effort. He was succeeded by Don M. Arnette, formerly Assistant Secretary and Assistant Treasurer.

Telephone operating revenues were \$8,636,792, an increase of 0.58%. Telephone operating expenses were \$5,697,562, an increase of 7.81%. The amount available for dividends was \$2,017,132, or \$3.67 per share (\$50 par). Dividends at the rate of \$4.50 per share, amounting to \$2,473,956 were paid during the year, of which \$456,824 was charged against surplus.

The Company's accounts have since 1913 been kept in accordance with the Uniform System of Accounts prescribed by the Interstate Commerce Commission (and now continued in effect by Federal Communications Commission). Revenues and expenses are stated on an accrual basis, being those applicable to the current year. Taxes accrued include Ohio property taxes and Federal income tax for 1934, which are payable in 1935.

The satisfactory results for the year would have been impossible of attainment but for the ready understanding, cordial cooperation and splendid support of the employees. Our relations with them individually through regular organization channels, and collectively over some fifteen years through the medium of The Cincinnati Telephone Employees' Association, have been most friendly and helpful.

The financial statements which are appended are prepared in somewhat more detail than heretofore, and are accompanied by brief descriptions of the various items. There is included also a statement of the Pension Trust Fund which has been certified to by the Bankers Trust Company, Trustee.

For the Board of Directors,

B. T. MCBURNEY,
Vice-President and General Manager

THE CINCINNATI AND SUBURBAN BELL TELEPHONE COMPANY

Balance Sheet, December 31, 1934

ASSETS

INVESTMENTS:

Telephone Plant	\$33,791,040.88	
Plant and equipment for furnishing service: comprised of land and buildings, rights of way, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, tools, construction work in progress, etc.		
Investment in Controlled Companies	32,936.70	
Stocks of controlled companies.		
Other Investments	340.00	
Stocks of noncontrolled companies.		
Miscellaneous Physical Property	257,128.04	
Real Estate not now used for telephone purposes.		
Total Investments		\$39,081,445.62

CURRENT ASSETS:

Cash and Special Deposits	1,047,322.41	
Cash available for current needs and funds on special deposit.		
Working Funds	10,063.98	
Cash held by employees and agents as working funds.		
Temporary Cash Investments	4,128,369.27	
Funds temporarily invested in U. S. Government securities.		
Material and Supplies	497,192.49	
Material and supplies available for immediate use in the business.		
Notes Receivable	2,446.75	
Notes due within one year from date of issue.		
Accounts Receivable	578,181.25	
Current accounts due the company for service (less provision for uncollectible accounts), toll settlements, interest, dividends, rents and sundry miscellaneous items.		
Total Current Assets		6,263,576.15

DEFERRED DEBITS:

Prepayments	53,082.67	
Rents, taxes, insurance, cost of directories, and other expenses prepaid and applicable to period after close of year.		
Other Deferred Debits	5,990.74	
Miscellaneous items, the final disposition of which has not been determined.		
Total Deferred Debits		59,073.41
TOTAL ASSETS		<u>\$45,404,095.18</u>

THE CINCINNATI AND SUBURBAN BELL TELEPHONE COMPANY

Balance Sheet, December 31, 1934

LIABILITIES

CAPITAL STOCK:

Common Stock\$27,488,400.00

Par value of common stock outstanding.
(Authorized 1,000,000 shares,
Outstanding 549,768 shares.)

Premium on Capital Stock 72,756.47

Amount received in excess of par value.

Total Capital Stock\$27,561,156.47

NOTES.....

1,291,114.14

Notes sold to Trustee of Pension Fund.

CURRENT LIABILITIES:

Customers' Deposits and Advance Payments. 231,175.94

Accounts Payable and Other Current

Liabilities..... 304,861.15

Amounts owing for payrolls, supplies, toll settle-
ments, and sundry miscellaneous items which are
in process of payment.

Total Current Liabilities..... 536,037.09

ACCRUED LIABILITIES NOT DUE:

Taxes..... 781,850.90

Dividends payable January 2, 1935..... 615,740.16

Total Accrued Liabilities Not Due... 1,397,591.06

Total Current and Accrued Liabilities

Not Due..... 1,933,628.15

DEFERRED CREDITS.....

24,973.94

Miscellaneous items, the final disposition of which
has not been determined.

RESERVES:

Depreciation Reserve..... 10,859,779.66

Provision for the ultimate retirement of deprecia-
ble plant when it has served its useful life.

Other Reserves..... 26,036.01

Amounts set aside for pending accident cases.

Total Reserves 10,885,815.67

SURPLUS:

Unappropriated Surplus

Balance January 1, 1934..... 4,161,945.98

Analysis of decrease during year:

Dividends charged against Surplus..\$456,823.95

Miscellaneous Deductions..... 2,484.67

Total Deductions..... 459,308.62

Miscellaneous Additions..... 4,769.45

Net Decrease..... 454,539.17

Balance December 31, 1934..... 3,707,406.81

TOTAL LIABILITIES.....\$45,404,095.18

J. J. BECKER, General Auditor.

THE CINCINNATI AND SUBURBAN BELL TELEPHONE COMPANY

Income Statement, Year Ended December 31, 1934

Local Service Revenues	\$7,654,423.28	
Revenues from local exchange service.		
Toll Service Revenues	705,539.55	
Revenues from long distance and local toll service.		
Miscellaneous Revenues	300,279.06	
Revenues from directory advertising, rents, and miscellaneous sources.		
Total	8,660,241.89	
Less—Uncollectible Operating Revenues	23,449.51	
Estimated portion of revenues earned which, based on experience, cannot be collected.		
TOTAL OPERATING REVENUES..		\$8,636,792.38
Current Maintenance	\$1,391,719.62	
Cost of inspection, repairs, and rearrangements required to keep the plant and equipment in good operating condition.		
Depreciation Expense	1,608,128.41	
Provision to meet loss of investment when depreciable property is retired from service.		
Traffic Expenses	1,419,438.41	
Costs incurred in the handling of messages, principally operators' wages.		
Commercial Expenses	387,716.12	
Costs incurred in business relations with customers; also, the cost of advertising, sales activities, directories, pay station commissions, etc.		
Operating Rents	182,132.10	
Rents paid for the use of buildings, poles, conduits, and other facilities.		
General and Miscellaneous Expenses:		
Executive and Legal Departments	118,562.82	
Accounting and Treasury Departments	257,040.74	
Provision for employees' service pensions ...	98,917.00	
Employees' sickness, accident, death and disability, and other benefits	78,063.40	
Services received under license contract	124,386.53	
Other General Expenses (Less "Expenses Charged Construction")	31,456.66	
Total General and Miscellaneous Expenses ..	708,427.15	
TOTAL OPERATING EXPENSES ...		5,697,561.81
NET OPERATING REVENUES		2,939,230.57
Taxes		985,313.51
Federal, state, and local taxes applicable to the year.		
NET OPERATING INCOME		
(Carried Forward)		1,953,917.06

THE CINCINNATI AND SUBURBAN BELL TELEPHONE COMPANY

Income Statement, Year Ended December 31, 1934 (Continued)

NET OPERATING INCOME (Brought Forward)	\$1,953,917.06
Net Non-operating Income	111,974.51
Dividends and interest, and other miscellaneous income (net).	
INCOME AVAILABLE FOR FIXED CHARGES.....	2,065,891.57
Interest.....	48,759.52
Interest charges on debt obligations.	
BALANCE AVAILABLE FOR DIVIDENDS.....	<u>\$2,017,132.05</u>
Dividends on Common Stock.....	\$2,473,956.00
Charged against Income.....	\$2,017,132.05
Charged against Surplus.....	<u>456,823.95</u>

J. J. BECKER,
General Auditor.

I have audited the books and accounts of The Cincinnati and Suburban Bell Telephone Company for the year ended December 31, 1934 and, in connection therewith, have examined or tested its accounting records; have made a review of its accounting methods and practices, including methods of internal audit and control; and have obtained information and explanations from the officers and employees.

On the basis of this audit, I certify that the accounts have been maintained consistently throughout the year in accordance with the Uniform System of Accounts for Telephone Companies prescribed by the Interstate Commerce Commission and continued in effect by the Federal Communications Commission; also that the accompanying balance sheet and income statement, in my opinion, set forth correctly the financial position of the company at December 31, 1934 and the results of its operations for the year 1934.

JULIAN S. GOODRICH,
Auditor for
American Telephone and
Telegraph Company.

January 22, 1935.

PENSION TRUST FUND

The Cincinnati and Suburban Bell Telephone Co.

Bankers Trust Company, New York, N. Y., Trustee

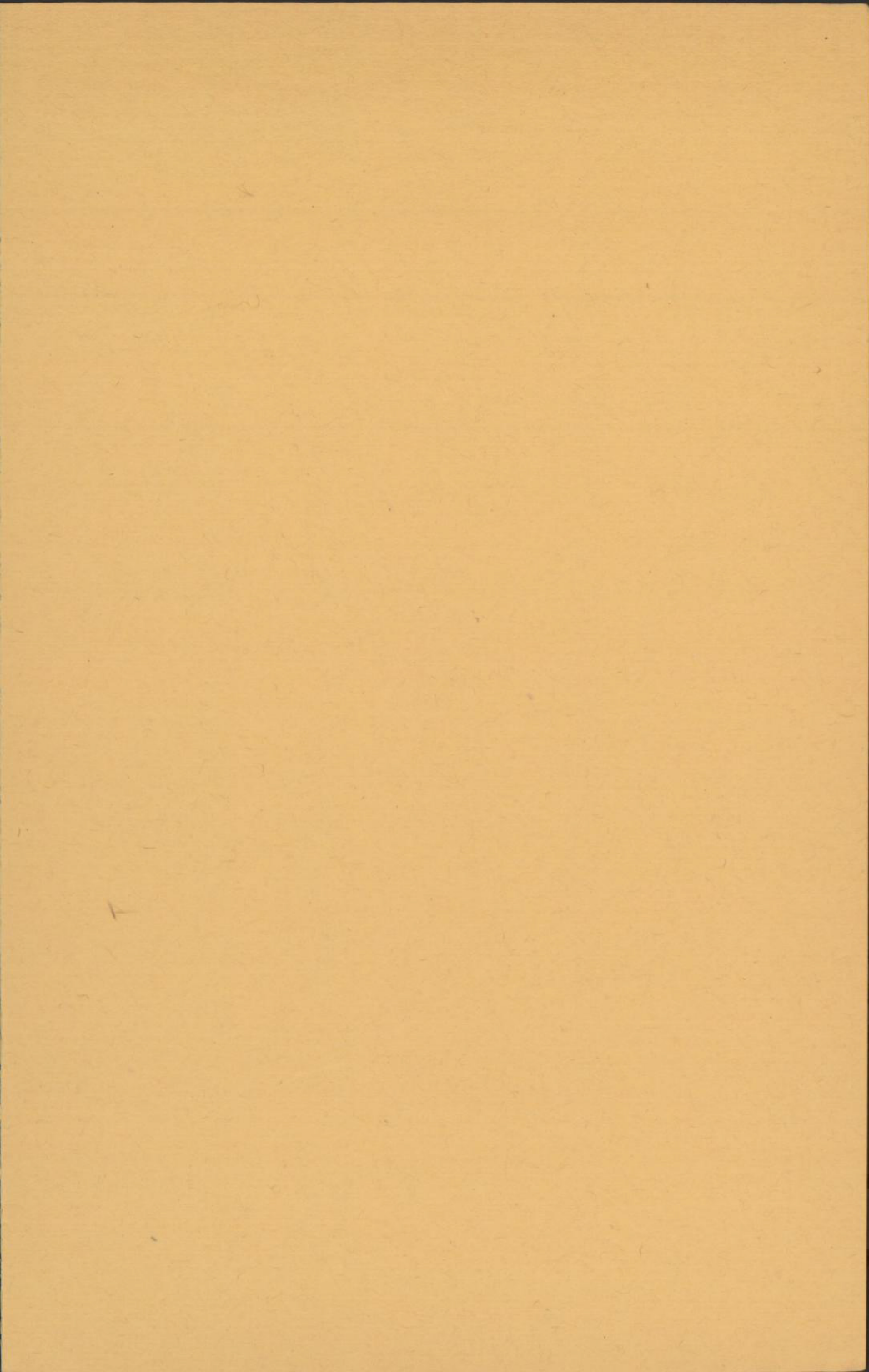
Balance in Fund—December 31, 1933.....	\$1,190,093.62
Additions to Fund during 1934—	
Amounts paid in by Company to provide for pension liability accruing in respect of employees in its service.....\$	98,917.00
Interest revenue from investments.....	48,595.90
Total additions.....\$	147,512.90
Disbursements for pensions during 1934 to re- tired employees.....	46,492.38
Net increase in Fund.....	101,020.52
Balance in Fund—December 31, 1934.....	<u>1,291,114.14</u>
Comprised of:	
Notes of The Cincinnati and Suburban Bell Tele- phone Company purchased at face value....	<u>\$1,291,114.14</u>

We certify that the above statement of the Pension Trust Fund of The Cincinnati and Suburban Bell Telephone Company is correct.

BANKERS TRUST COMPANY, *Trustee.*

By W. C. Meyers,
Assistant Secretary.

Dated January 16, 1935.





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